

RADNOR ASSOCIATES, LTD.

SUITE 114 • TWO RADNOR CORPORATE CENTER
100 MATSONFORD ROAD
RADNOR, PENNSYLVANIA 19087
215-687-4801

James P. Hartman

3-245A037

Fax: (215) 687-6041

September 1, 1993

Secretary,
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary:

18382
SEP 2 1993 3 30 PM
INTERSTATE COMMERCE COMMISSION

18382
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INTERSTATE COMMERCE COMMISSION

I enclose an original and a counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U. S. Code.

The documents are primary documents, which are submitted for recording under the same recordation number. Together they constitute a lease of railroad locomotives, as follows:

1. Master Lease of Railroad Equipment dated as of September 1, 1993 between Radnor Associates, Ltd. (as lessor) and JP Rail, Inc. d/b/a Southern Railroad Company of New Jersey (as lessee).
2. Rental Schedule RS #1 dated as of September 1, 1993, identifying certain railroad equipment delivered to the lessee subject to the Master Lease.

The names and addresses of the parties to the documents are as follows:

Lessor: Radnor Associates, Ltd.
Two Radnor Corporate Center, Suite 114
Radnor, Pennsylvania 19087

Lessee: JP Rail, Inc. d/b/a Southern Railroad
Company of New Jersey
2930 Richmond Street
Philadelphia, Pennsylvania 19134

A description of the equipment covered by the documents follows:

- Two F7A locomotives manufactured by Electro Motive Division of General Motors Corporation.
- Both units are marked "Radnor Associates, Ltd., Lessor", and will bear the colors and historic name Reading Railroad.
- The road numbers of the two locomotives are 727 and 728.

RADNOR ASSOCIATES, LTD.

Secretary
Interstate Commerce Commission
September 1, 1993
Page Two

A check in the amount of \$32 is enclosed, payable to the Interstate Commerce Commission, to cover the filing fee.

Please return the original and any extra copies of the enclosed documents, not needed by the Commission to:

Radnor Associates, Ltd.
Suite 114
Two Radnor Corporate Center
Radnor, PA 19087

A short summary of the documents to appear in the index follows:

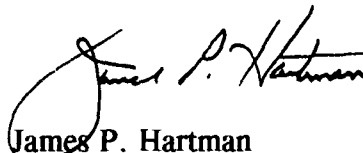
A lease between Radnor Associates, Ltd., as lessor, Suite 114, Two Radnor Corporate Center, Radnor, PA 19087 and JP Rail, Inc. d/b/a Southern Railroad company of New Jersey, as lessee, 2930 Richmond Street, Philadelphia, PA 19134, dated as of September 1, 1993 and covering two (2) railroad locomotives model F7A manufactured by Electro Motive Division of General Motors Corporation.

Please acknowledge your receipt of the enclosed document on the enclosed extra copy of this letter and return it to me in the enclosed addressed, postage prepaid, envelope.

If you have any question about the enclosed documents or this letter of transmittal please telephone me, collect, at (215) 687-4801.

Sincerely,

RADNOR ASSOCIATES, LTD.


James P. Hartman
Vice President

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INTERSTATE COMMERCE COMMISSION

MASTER LEASE OF RAILROAD EQUIPMENT

MASTER OF LEASE OF RAILROAD EQUIPMENT (together with each Rental Schedule referring hereto, the "Lease"), dated as of September 1, 1993 between RADNOR ASSOCIATES, LTD., a Pennsylvania corporation ("Lessor") having a principal place of business and address for purposes of notice hereunder at Two Radnor Corporate Center, Suite 114, Radnor, PA 19087, Attention: Vice President, and JP Rail, Inc. D/B/A SOUTHERN RAILROAD COMPANY OF NEW JERSEY, ("Lessee") a Pennsylvania corporation having a principal place of business and address for purposes of notice hereunder at 2930 Richmond Street, Philadelphia, PA 19134, Attention: President.

WHEREAS, Lessee has selected, inspected and approved certain locomotives for use in its railroad operations;

WHEREAS, Lessee has asked Lessor to acquire the locomotives more fully described in each Rental Schedule executed pursuant hereto (hereinafter called the "Units"). Lessee desires to lease from Lessor all the Units at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by Lessee, Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

1. MASTER LEASE: RENTAL SCHEDULES.

1.1 Lease. Lessor agrees to furnish and lease to Lessee, and Lessee agrees to accept and use upon the terms and conditions set forth, the Units described in each Rental Schedule executed pursuant hereto.

1.2 Delivery and Acceptance of Units. Acceptance of the Units by Lessee shall be evidenced by a Rental Schedule in the form set forth in Annex A attached hereto, the execution of which shall constitute conclusive evidence of delivery and acceptance of the Units therein identified. From and after the Acceptance Date set forth in any Rental Schedule the Units identified herein shall be subject to this Lease.

2. LEASE TERM; LESSEE'S RIGHT TO QUIET ENJOYMENT.

The term of the Lease of the Units identified in each Rental Schedule will commence on the Acceptance Date, and end on the Lease Expiration Date, set forth in such Rental Schedule (the "Lease Term" of such Units). Lessee has no right hereunder to terminate the Lease Term of any Units prior to the Lease Expiration Date therefor or to suspend any payment or performance of its obligations under this Lease. If no Event of Default (defined in Article 13 hereof) shall occur and be continuing under this Lease, Lessee will have quiet possession and use of the Units identified in each Rental Schedule throughout the Lease Term thereof, and Lessor will defend and protect such quiet possession against all persons claiming by, through or under Lessor.

3. RENT; NET LEASE; LESSEE'S INDEMNITIES; NO WARRANTIES BY LESSOR.

3.1 All rent payable during the Lease Term ("Rent") is payable monthly in advance on the first day of each month during the Lease Term of such Unit and thereafter until such Unit has been purchased by Lessee or returned to Lessor in compliance with Article 11 (each of such dates a "Payment Date"). Any Payment Date falling on a day banks are not open for business in the place as where Rent is payable hereunder, shall be deemed to fall on the immediately preceding business day.

3.2 Rent is net of, and Lessee agrees to pay and to indemnify and hold Lessor and any assignee of Lessor harmless from and against, all costs (including, without limitation, maintenance, repair and insurance costs), claims (including, without limitation, claims of product liability, strict liability in tort, patent infringement and the like), losses or liabilities relating to any Unit or its use or otherwise arising out of any matter occurring during the Lease Term of such Unit and thereafter until such Unit shall have been returned to Lessor in accordance with the terms hereof. Lessee's obligation to indemnify Lessor and its assigns shall include the obligation to hold Lessor and its assigns harmless from all attorneys' fees and expenses. Lessee's indemnities set forth herein and in Article 6 survive the expiration or termination of the Lease Term of any Unit.

3.3 This Lease is an irrevocable, absolute net lease, and Lessee shall pay and perform its obligations hereunder when due without any abatement, set-off or deduction by reason of any defense, claim, counter-claim, set-off or recoupment (any of which shall be asserted, if at all, only by a separate, independent action against Lessor). Lessee waives all rights to terminate this Lease or the Lease Term of any Unit or surrender any Unit before the expiration of the Lease Term thereof for any reason except as expressly set forth in this Lease, including, without limitation, defect in any Unit or non-performance by Lessor. LESSOR DOES NOT MAKE, HAS NOT MADE, SHALL NOT BE DEEMED TO MAKE OR HAVE MADE, AND EXPRESSLY DISCLAIMS TO LESSEE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO THE EQUIPMENT LEASED HEREUNDER OR ANY COMPONENT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT OR TITLE, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE.

4. USE AND LOCATION OF EQUIPMENT; MAINTENANCE AND REPAIRS; NO LIENS; NO ASSIGNMENT BY LESSEE; PROHIBITION OF SUBLEASE.

4.1 The Equipment is to be used exclusively by Lessee in the conduct of its business operating as the Southern Railroad Company of New Jersey, only for the purposes for which it was designed and in compliance with all applicable laws, rules and regulations, manufacturers' or vendors' warranties and applicable policies of insurance. Lessee agrees to comply in all respects with all laws of each jurisdiction in which operations involving any Unit may extend, with the interchange rules of the Association of American Railroads and with all the rules of the Interstate Commerce Commission and any other

legislative, executive, administrative or judicial body exercising any power or jurisdiction over any such Unit; and to the extent such laws and rules require the alteration or repairs of any such Unit, the Lessee shall perform all such alterations and repairs at its sole cost and expense. Lessee will, at Lessee's sole expense, obtain and maintain all necessary licenses, permits and approvals.

4.2 The Lessee at its own expense will maintain and service each Unit and comply with a preventive maintenance schedule attached hereto as Annex B, which will include testing, repair, and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when accepted by Lessee at the commencement of this Lease (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) desirable to and suitable for immediate purchase or lease and use by a class 1, 2 or 3 Railroad. In no event shall any Unit be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof by the Lessee for similar equipment used by it.

4.3 Annually, Lessee shall furnish to Lessor a certificate setting forth the Units by identification number and stating that Lessee has complied with the preventive maintenance schedule required by Section 4.2 and that such Units are in the condition required by clauses (a), (b) and (c) of Section 4.2 hereof or identifying the Units which do not comply with such provisions. No later than 60 days after the delivery of each certificate Lessee will, if such certificate sets forth the identifying number of any Unit as not being maintained in the condition referred to in the immediately preceding paragraph, furnish a supplemental certificate certifying that the appropriate maintenance has been done and that such Unit is now in the condition required by clauses (a), (b), and (c) of Section 4.2 hereof or stating that such maintenance has not been done or such Unit is not in such condition. If such supplemental certificate is required and shall not be delivered on or prior to the last date specified for such delivery or shall state that Unit is not in the required condition or the required maintenance has not been done, such Unit, upon written notice from Lessor to Lessee to such effect, shall be deemed to have suffered a Casualty (defined in Article 5) for all purposes under this Lease. Lessor shall have the right to inspect the Units and the Lessee's records with respect thereto at such reasonable time as either may request during the term of the Lease thereof but Lessor shall have no obligation to do so.

4.4 Lessee will, at Lessee's sole expense, effect all maintenance and repairs necessary to keep the Units in good and efficient operating order, repair, condition and appearance in accordance with the Manufacturer's recommendations and by authorized representatives of the Manufacturer whose work will not violate any applicable Manufacturers' or other vendors' warranties. All replacement parts added or attached to any Unit shall immediately become the property of Lessor and shall be deemed incorporated in such Unit and subject to the terms of this Lease as if originally leased thereunder. Lessee will keep each Unit and its interest therein free and clear of all liens and encumbrances other than those created by Lessor or arising out of claims against Lessor and not related to the lease of such Unit to Lessee. Lessee will defend, at its own expense, Lessor's title to the Units from all such liens and encumbrances. If a tax or other lien shall attach to any Unit, Lessee will provide written notification to Lessor within ten (10) days after any such attachment stating the full particulars thereof and the location of such Unit on the date of such notification.

4.5. THE LESSEE MAY NOT ASSIGN OR IN ANY WAY TRANSFER OR DISPOSE OF ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS THIS LEASE OR ENTER INTO ANY SUBLEASE OF ANY UNIT.

4.6 During the Term of the Lease of each Unit and thereafter until such Unit shall be returned to Lessor in accordance with the terms hereof, Lessee will not use or permit the use or maintenance of such Unit outside of the contiguous 48 states of the United States of America.

5. LOSS, DAMAGE OR DESTRUCTION OF EQUIPMENT, AMENDMENT, MODIFICATION, ATTACHMENT TO THE EQUIPMENT

5.1 Lessee will bear all risk of direct and consequential loss and damage with respect to each Unit during the Term of the Lease thereof and thereafter until such Unit shall be returned to Lessor in accordance with the terms hereof. Lessee will notify Lessor in writing within fifteen (15) days if any Unit is lost, stolen, requisitioned by a governmental authority or damaged beyond repair (each, a "Casualty"), describing the Casualty in reasonable detail, and will file a claim under appropriate policies of insurance promptly. Lessee will pay to Lessor on the next Payment Date following the Casualty, in addition to Rent and other sums due on that date with respect to the Unit suffering the Casualty, an amount equal to the Casualty Value thereof specified on the Rental Schedule therefor. Upon such payment the Term of the Lease of such Unit will terminate and ownership of the Unit suffering the Casualty, including all claims for insurance proceeds or condemnation awards, will pass to Lessee. In the event of loss or damage to any Unit which does not constitute a Casualty, Lessee shall promptly, at its sole cost and expense, repair and restore such Unit to the condition required by this Lease.

5.2 Except as provided in this Section 5.1 upon payment of Casualty Value, no loss or damage to any Unit or any part thereof shall release or impair the obligations of Lessee hereunder.

5.3 At its sole option, Lessee may make any alteration, modification or attachment to any Unit deemed appropriate by Lessee, provided that such alteration, modification or attachment does not decrease the fair market value of such Unit, reduce its useful life or cause such Unit to become limited use property or a fixture to real property. Nothing herein shall preclude alterations mandated by conditions set forth in Section 4.1. All alterations, modifications and attachments of whatsoever kind or nature made to any Unit which cannot be removed without damaging the functional capability or economic value of the Unit in question shall be deemed to be part of such Unit. Under no circumstance shall any alteration, modification or attachment be encumbered by Lessee.

6. TAXES AND FEES.

6.1 Lessee agrees to assume all taxes (including interest, penalties and additions to tax), fees and charges (including, without limitation, sales, use, excise, value added, personal property and other taxes) imposed by any federal, state or local government tax authority (such taxes, fees, charges are collectively referred to as "Taxes") upon or in respect of the ownership, leasing, renting, sale, possession or use of the Equipment, whenever such Tax may be levied. The foregoing shall not apply to (i) any federal income tax imposed upon Lessor in respect of Rent and other amounts payable to Lessor

hereunder or (ii) any similar tax imposed upon Lessor by any other jurisdiction where Lessor does business (otherwise than solely by reason of this Lease).

7. INSURANCE

7.1 Lessee shall at its own cost maintain in effect during the Term of the Lease of each Unit and thereafter until such Unit shall be returned to Lessor in accordance with the terms hereof, (including any storage period referred to in Article 11), with financially sound insurers satisfactory to Lessor, "all risk" insurance and comprehensive general liability (including contractual liability insurance) in form and amounts satisfactory to Lessor, with respect to such Unit. All such policies shall (i) name Lessor as Additional Insured or Loss Payee, as applicable, (ii) require 30 days notice of cancellation to Lessor, (iii) insure Lessor's interests regardless of any breach or violation by Lessee of any representation, warranty, or condition contained in such policies and (iv) shall be primary without right of contribution from any insurance effected by Lessor. Any "all risk" insurance shall waive subrogation against Lessor.

8. FINANCIAL STATEMENTS. INSPECTION. REPORTS.

8.1 Promptly after they shall become available (but in any event within 30 days after the end of the first three quarters of Lessee's fiscal year and 45 days after the end of each such year) Lessee will provide to Lessor copies of Lessee's applicable quarterly and annual balance sheets, profit and loss statements and statements of cash flows. Lessor may from time to time, upon reasonable notice and during Lessee's normal business hours, inspect the Units and Lessee's records with respect thereto and discuss Lessee's financial condition with a knowledgeable representative of Lessee.

9. TITLE. AGREEMENT FOR LEASE ONLY. IDENTIFICATION MARKS. FINANCING STATEMENTS. FURTHER ASSURANCES.

9.1 Except as provided in Sections 5.1 and 11.1, title to the Units shall at all times remain in Lessor, and Lessee shall acquire no ownership, title, property, right, equity or interest in any Unit other than its leasehold interest solely as Lessee subject to all the terms and conditions hereof. This Lease is intended to be a true lease and not a lease in the nature of a security agreement, and is intended to be a "finance lease" as that term is defined in Article 2A of the Uniform Commercial Code. Lessee will, at Lessee's expense, execute, acknowledge, deliver, file and record all such documents (including without limitation financing statements under the Uniform Commercial code) and take all such other action as may be necessary or as Lessor may reasonably request (including without limitation recordation of this Lease under the Interstate Commerce Act) to give notice of, perfect or protect Lessor's interest in the Units, and Lessee hereby irrevocably appoints Lessor and each of its officers the attorney-in-fact of Lessee, with full power of substitution and revocation to take any of the foregoing action in the name of and on behalf of Lessee.

9.2 Lessee will cause each Unit to be kept numbered with its identifying number as set forth on each applicable Rental Schedule and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit in letters not less than one inch in height name of Lessor followed by the words "Lessor under lease filed with the Interstate Commerce Commission" or such

other words designated by Lessor from time to time or as may be required by law in order to protect the title of Lessor and the rights of Lessor under this Lease.

9.3 Except as above provided, Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership.

10. LATE PAYMENT CHARGES. LESSOR'S RIGHT TO PERFORM FOR LESSEE.

10.1 A Late Payment Charge equal to the greater of (i) 10% of any Rent or other unpaid sum due under the Lease or (ii) one and one-half percent (1.5%) per month will accrue on any Rent or other unpaid sum due under this Lease from its due date to the date of payment. If Lessee fails to duly and promptly pay or perform any of its obligations hereunder, Lessor shall have the right, but shall not be obligated, to pay or perform such obligations for the account of Lessee without thereby waiving any default and Lessee will pay to Lessor, on demand and in addition to Rent, an amount equal to all sums so paid or expenses so incurred, plus a Late Payment Charge accruing from the date such sums were paid or expenses incurred by Lessor.

11. LESSEE'S OPTIONS UPON LEASE EXPIRATION.

11.1 If no Event of Default shall have occurred and be continuing Lessee shall have the right to purchase on August 31, 1999 ("Sale Date") all but not less than all of the Units then leased pursuant hereto, exercisable by giving written notice to Lessor not less than 180 days prior to the Sale Date.

11.2 On the Sale Date and upon Lessor's receipt in cash of the purchase price of the Units purchased, Lessor shall convey title to Lessee to such Units free and clear of all liens and encumbrances placed thereon by Lessor but otherwise on an "as-is", "where-is" basis. EXCEPT FOR THE WARRANTY SET FORTH IN THE PRECEDING SENTENCE, ANY UNIT SOLD PURSUANT TO THIS SECTION 11 SHALL BE SOLD WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11.3 The purchase price of the Units purchased pursuant to this Article 11 shall be \$35,000 per Unit.

11.4 In the event Lessee fails to purchase the Units as provided above in the Article 11, it shall return each Unit to Lessor at the Lease Expiration Date therefor at an interchange point specified by Lessor in the condition specified in Article 4 hereof. If Lessor shall request, Lessee will, at its own cost and expense, deliver possession of such Unit to Lessor upon such storage tracks of Lessee as Lessor may designate, or in absence of such designation, as Lessee may select, and permit Lessor to store such Units on such tracks for a period not exceeding one year following the end of the Lease Term thereof. Upon Lessor's request at any time within such year Lessee will deliver such Unit to any interchange point or connecting carrier, all as directed by Lessor, the movement and storage of such Unit to be at the expense and risk of Lessee (including the maintenance of all insurance provided for in Article 7), and in the event that any Unit shall suffer a Casualty during such storage period, Lessee shall pay Lessor the Casualty Value thereof as provided herein. During any such storage period Lessee will permit Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee

or user of such Unit, to inspect the same. Each Unit returned to the Lessor will be in the condition specified in Article 4 hereof. The assembling, delivery, storage, and transportation of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring performance thereof.

11.5 Until Lessee has purchased the Units pursuant to this Article 11 or returned the Units in full compliance with the requirements of this Article 11, this Lease shall continue in full force and effect and Lessee shall with respect to each Unit continue to pay Rent, notwithstanding any expiration or termination of the Lease Term, through and including the date on which such Unit is accepted for return by Lessor as conforming with the requirements of this Article 11.

12. LESSEE'S REPRESENTATIONS AND WARRANTIES.

12.1 Lessee represents, warrants and certifies as of the dates of execution and delivery of this Master Lease and each Rental Schedule as follows:

- (a) Lessee is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania with full power to enter into and to pay and perform its obligations under this Lease and is duly qualified and in good standing in all other jurisdictions where its failure to so qualify would adversely affect the conduct of its business or the performance of its obligations under or the enforceability of this Lease;
- (b) each Rental Schedule, this Master Lease and all related documents have been duly authorized, executed and delivered by Lessee, are valid, legal and binding obligations of Lessee, are enforceable against Lessee in accordance with their terms and do not and will not contravene any provisions of or constitute a default under Lessee's organizational documents or its by-laws, any agreement to which it is a party or by which it or its property is bound, or any law, regulation or order of any governmental authority;
- (c) Lessor's right, title and interest in and to each Unit will vest in Lessor on or before Lessee's acceptance of such Unit for lease hereunder and Lessee's execution and delivery of the Rental Schedule relating thereto and will not be affected or impaired by the terms of any agreement or instrument by which Lessee or its property is bound;
- (d) no approval of, or filing with, any governmental authority or other person is required in connection with Lessee's entering into, or the payment or performance of its obligations under, this Lease;
- (e) there are no suits or proceedings pending or, to the knowledge of Lessee, threatened, before any court or governmental agency against or affecting Lessee which, if decided adversely to Lessee, would materially adversely affect Lessee's business or financial condition or its ability to perform any of its obligations under this Lease;
- (f) there has been no material adverse change to Lessee's financial condition or results from its operations since its July 31, 1993 quarterly financial statements;

- (g) the address stated in the preamble to this Master Lease as Lessee's principal place of business is the principal place of business and chief executive office of Lessee; and
- (h) the Lessee has filed all Federal, state and local tax returns that, to the knowledge of the Lessee, are required to be filed, and has paid all taxes as shown on such returns or on any assessment received by it, to the extent that such taxes have become due.

Lessee's representations and warranties shall survive termination or expiration of this Master Lease and any Rental Schedule.

13. EVENTS OF DEFAULT. LESSOR'S REMEDIES ON DEFAULT.

13.1 Each of the following events constitutes an Event of Default hereunder:

- (a) Lessee's failure to make any payment of any amount when due under this Lease continuing for a period of five (5) days;
- (b) Lessee's failure to observe or perform any of its obligations contained in Article 7 hereof;
- (c) Lessee's failure to observe or perform any other covenant, condition or agreement to be observed or performed by Lessee under this Lease continuing for more than 30 days after written notice thereof;
- (d) any representation or warranty made by Lessee in this Lease or in any document or certificate furnished in connection herewith shall at any time prove to have been incorrect in any material respect when made;
- (e) any attempt by Lessee, without Lessor's prior written consent, to assign a Rental Schedule, to make any unauthorized sublease of the Equipment, or to transfer possession of the Equipment;
- (f) Lessee (A) ceases doing business as going concern; (B) makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts as they mature or generally fails to pay its debts as they become due; (C) initiates any voluntary bankruptcy or insolvency proceeding; (D) fails to obtain the discharge of any bankruptcy or insolvency proceeding initiated against it by others within 60 days of the date such proceedings were initiated; (E) requests or consents to the appointment of a trustee, custodian or receiver or other officer with similar powers for itself or a substantial part of its property; or (F) a trustee, custodian or receiver or other officer with similar powers is appointed for Lessee or for a substantial part of its property;
- (g) Lessee shall not return any Unit or shall not return any Unit in the required condition at the expiration of the Lease Term thereof;
- (h) Lessee voluntarily or involuntarily permits any Unit to become subject to a lien other than a lien created by Lessor or arising out of claims against Lessor and not related to the lease of any Unit to Lessee;

- (i) Lessee voluntarily or involuntarily allows any item of collateral noted in Article 16 to become subject to a lien other than a lien created by Lessor or arising out of claims against Lessor; or
- (j) payments under the contract with TDI noted in Article 16 are not received by Lessee or Lessor for either a consecutive 60 day period or in separate periods, collectively exceeding 60 days.
- (k) Any change in the management of the Lessee such that Joseph F. Petaccio, Jr. is no longer the chief operating officer and chief executive officer.
- (l) Any change in the ownership of the Lessee such that Joseph F. Petaccio, Jr. and/or Margaret Petaccio are/is no longer the controlling shareholder(s).

13.2 Upon the occurrence of an Event of Default, Lessor shall have the following remedies, all of which are hereby authorized by Lessee. Lessee hereby authorizes Lessor to enter, with or without legal process, any premises where any Unit leased pursuant hereto is believed to be and take possession thereof. Lessee shall, without further demand, forthwith pay to Lessor (i) as liquidated damages for loss of a bargain and not as a penalty, the Casualty Value of the Units repossessed by Lessor and such other Units as Lessor may specify (calculated as of the Payment Date next preceding the declaration of such Event of Default), and (ii) all payments of Rent and other sums due thereunder. Lessor shall sell the Units at private or public sale, in bulk or in parcels, with or without notice, and without having the Units present at the place of such sale, or lease, otherwise dispose of or keep idle all or part of the Units; and Lessor may use Lessee's premises for any or all of the foregoing without liability for rent, costs, damages or otherwise. The proceeds of sale, lease or other disposition, if any, shall be applied in the following order of priorities: (1) to pay all of Lessor's costs, charges and expenses incurred in taking, removing, holding, repairing and selling, leasing or otherwise disposing of the Units, then (2) to the extent not previously paid by Lessee, to pay Lessor all sums due from Lessee hereunder; then (3) to reimburse to Lessee any sums previously paid by Lessee as liquidated damages; and (4) any surplus shall be retained by Lessor. Lessee shall pay any deficiency in (1) and (2) above.

13.3 Lessor may exercise any of its rights under the Security Agreement referred to in Article 16.

13.4 The foregoing remedies are cumulative, and any or all thereof may be exercised in lieu of or in addition to each other or any remedies at law, in equity, or under statute. Lessee waives notice of sale or other disposition of the Units in question (and the time and place thereof), and the manner and place of any advertising with respect thereto. Lessee agrees that, with respect to any notice which is required by law and cannot be waived, the (10 days notice shall be reasonable and adequate. In the event Lessor retains attorneys to enforce its rights hereunder Lessee shall pay as reasonable attorneys' fees twenty percent of the sum of the rent then remaining unpaid and the Casualty Value due upon the Event of Default, or if prohibited by law, such lesser sum as may be permitted. The failure of Lessor to exercise the rights granted hereunder upon any Event of Default shall not constitute a waiver of any such right upon the continuation of any such Event of Default. Waiver of any event of default shall not be a waiver of any other or subsequent Events of Default. Any default under the terms of this or any other

agreement between Lessor and Lessee may be declared by Lessor as a default under this and any such other agreement.

14. ASSIGNMENT BY LESSOR.

14.1 Lessor may at any time and from time to time sell, transfer or grant liens on the Units, and assign, as collateral security or otherwise, its rights in all of any portion of this Lease, in each case subject and subordinate to Lessee's rights thereunder, without notice to or consent by Lessee. No such assignment shall relieve Lessor of its obligations hereunder unless Lessee is notified thereof to the contrary. Lessee acknowledges that Lessor may assign all of a portion of this Lease or the Rent payable hereunder to a lender and Lessee agrees, and upon Lessor's request will execute and deliver a letter confirming, that any such assignee in the event of such assignment, has (and may exercise either in its own name or in the name of Lessor) all of the rights, privileges and remedies, but none of the obligations, of Lessor under the Lease; that Lessee has (and does hereby) agree that Lessee waives, and will not raise against any such assignee, any defense, counter claim, set-off, abatement, reduction or recoupment that Lessee may have against Lessor; and that Lessee will make all payments of Rent and other sums due under this Lease, assigned to any assignee, to such assignee or as it may direct. Lessee acknowledges that any such transaction will not materially change its duty or materially increase its burden or risk under this Lease. Lessee also agrees to deliver such opinions of counsel, insurance certificates and other documents as Lessor may reasonably request for the benefit of any such assignee in connection with the collateral assignment of all or any part of this Lease or the Rent payable hereunder.

15. MERGERS, CONSOLIDATIONS, LEVERAGED BUY-OUTS INVOLVING LESSEE.

15.1 Lessee acknowledges and agrees that Lessor has entered into this Master Lease and each Rental Schedule on the basis of Lessee's creditworthiness. Lessee, without Lessor's prior written consent, may not (i) become a party to a merger or consolidation, (ii) sell or transfer, singly or in a series of related transactions, all or substantially all of its assets, or (iii) purchase singly or in a series of related transactions, a substantial portion of its stock or assets.

16. ADDITIONAL SECURITY.

16.1 Lessee has granted to Lessor a security interest in certain locomotives and contract rights in order to secure all of its obligations, warranties and representations contained in this Lease, pursuant to a certain Security Agreement dated the date of this Master Lease.

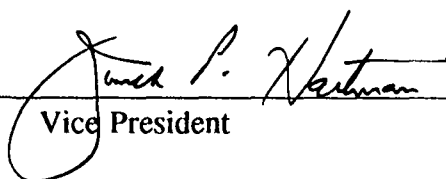
17. MISCELLANEOUS.

17.1 Time is of the essence of this Agreement. Lessor's failure at any time to require strict performance by Lessee of any of the provisions or obligations hereof shall not waive or diminish Lessor's right thereafter to demand strict compliance therewith. All notices required hereunder shall be effective upon receipt in writing delivered by hand or by other receipt-acknowledged method of delivery at the address first above written. Lessee will notify Lessor at least thirty (30) days before changing its principal place of business or chief executive office and will, at its expense, promptly execute and deliver to Lessor such documents and assurances (including financing statements) and take such further action as Lessor may reasonably request. THIS MASTER LEASE AND THE RENTAL SCHEDULE

SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. This Master Lease and the Rental Schedules executed pursuant hereto may be executed in multiple counterparts all of which together shall constitute one and the same instrument. Any provision of this Lease that is unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective to the extent of such unenforceability without invalidating or diminishing Lessor's rights under the remaining provisions hereof. No term or provision of this Lease may be amended, altered, modified, rescinded or waived orally, but only by a separate instrument in writing signed by a duly authorized officer of the party against which enforcement of such amendment, alteration, modification, rescission or waiver is sought. Lessor's commitment letter dated June 21, 1993 (accepted by Lessee by telefax dated June 22, 1993), this Master Lease, any Rental Schedule executed pursuant hereto, the Security Agreement and each instrument, document and agreement executed by Lessee pursuant to the foregoing collectively constitute the complete and exclusive statement of the terms of the agreement between Lessor and Lessee with respect to the leasing of the Units set forth on such Rental Schedule, and cancel and supersede any and all oral or written prior understandings with respect thereto.

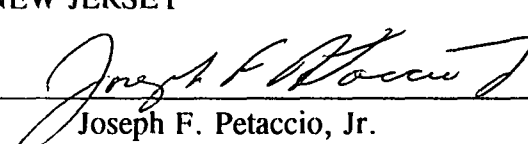
IN WITNESS WHEREOF, Lessor and Lessee have caused this Master Lease to be executed and delivered by their duly authorized representatives as of the date first above written.

RADNOR ASSOCIATES, LTD.
("LESSOR")

By: 
Vice President

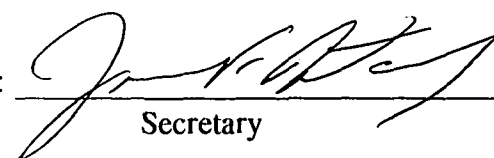
Date: August 30, 1993

JP RAIL, INC. D/B/A.
SOUTHERN RAILROAD COMPANY
OF NEW JERSEY

By: 
Joseph F. Petaccio, Jr.
President

Date: 8/30/93

[Affix Corporate Seal]

Attest: 
Secretary

COUNTERPART NO. 2 OF 4 SERIALY NUMBERED MANUALLY EXECUTED COUNTERPARTS. TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

COMMONWEALTH OF PENNSYLVANIA)

Delaware

)

On

August 30

Notary Public

Notarial Seal

Valerie A. Zerfing, Notary Public

Radnor Twp., Delaware County

My Commission Expires Nov. 25, 1996

Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA)
) SS
COUNTY OF DELAWARE)

On August 30, 1993 before me, the undersigned authority, personally appeared JAMES P. HARTMAN, known to me (or satisfactorily proven) to be the Vice President of RADNOR ASSOCIATES, LTD., who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of director and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

Valerie A. Zep
Notary Public

Notarial Seal
Valerie A. Zerfing, Notary Public
Radnor Twp., Delaware County
My Commission Expires Nov. 25, 1996
Member, Pennsylvania Association of Notaries

ANNEX A

RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NO. 1(RS #) (the "Rental Schedule")
DATED AS OF (RS DATE) (the "Acceptance Date")
TO MASTER LEASE OF RAILROAD EQUIPMENT (the "Master Lease")
DATED AS OF SEPTEMBER 1, 1993

LESSOR

RADNOR ASSOCIATES, LTD.
TWO RADNOR CORPORATE CENTER
SUITE 114
RADNOR, PENNSYLVANIA 19087

LESSEE

JP RAIL, INC. D/B/A
SOUTHERN RAILROAD COMPANY
OF NEW JERSEY
2930 RICHMOND STREET
PHILADELPHIA, PA 19134

1. LEASE TERM. RENT, PAYMENT DATES.

This Rental Schedule, between Lessor and Lessee is executed pursuant to the terms and conditions of the Master Lease. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor these Units described below for the Lease Term and at the Rent payable on the Payment Dates and on the terms and conditions set forth herein and in the Master Lease:

<u>Capatalized Cost</u>	<u>Road Number</u>	<u>YR/Manufacturer/Model</u>	<u>Acceptance Date</u>
\$58,250	727	1953/Electro Motive Division of General Motors Corporation/F7A	September 1, 1993
<u>\$58,250</u>	728	1953/Electro Motive Division of General Motors Corporation/F7A	September 1, 1993
<u>\$116,500</u>	Total Lessor's Cost		

Location of Equipment: Southern Railroad Company of New Jersey
Interchange with Conrail
Winslow, NJ 08055

The Lease Term of each such Unit is the period from and including the Acceptance Date of such Unit set forth above, to and including the August 31, 1999 (the "Expiration Date").

Rent payable in respect of the Unit(s) described above is \$2,265 per month, payable in advance on September 1, 1993 and on the same day of each month during the balance of the Lease Term of such Unit(s) and thereafter until such Unit(s) has/have been purchased by Lessee or returned to Lessor pursuant to and in accordance with Article 11 of the Master Lease.

2. CAPITALIZED COST.

The Rent is premised on Lessor paying the vendor \$52,500 per Unit, paying an additional \$5,000 per Unit for repairs, upgrades, delivery and other costs approved by Lessor, and paying not more than \$1,500 in legal fees and disbursements in connection with the preparation of the Master Lease, Security Agreement, and related documents. The sum of \$52,500, \$5,000 and one-half of \$1,500 equals \$58,250 per Unit and is referred to as Capitalized Cost. Lessee may request Lessor to pay other cost or legal fees which may exceed the \$1,500 level. In such case, the Capitalized Cost will increase per Unit. Rent will correspondingly increase so that Lessor recovers its investment in the added costs with a return over the Lease Term.

RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NO. 1

PAGE TWO

3. ACCEPTANCE CERTIFICATE.

Lessee hereby represents, warrants and certifies (a) that the Units described herein have been delivered to and inspected and found satisfactory by Lessee and are accepted for lease by Lessee under this Rental Schedule and the Master Lease as of the Acceptance Date set forth above; (b) the Units are located as specified above; (c) the representations and warranties of Lessee set forth in the Master Lease are true and correct as of the date hereof.

4. SCHEDULE OF CASUALTY VALUES.

The Schedule of Casualty Values attached hereto is incorporated herein by reference and shall be applicable to the Units described above.

5. ENTIRE AGREEMENT. MODIFICATION AND WAIVERS. EXECUTION IN COUNTERPARTS.

This Rental Schedule, Master Lease, and the security agreements referred to therein constitute the entire agreement between Lessee and Lessor with respect to the leasing of the Units described herein. Capitalized terms not defined herein shall have the meanings assigned to them in the Master Lease. No amendment, modification or waiver of this Rental Schedule or the Master Lease will be effective unless evidenced by a writing signed by the party against whom enforcement is sought. This Rental Schedule may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Rental Schedule and Acceptance Certificate to be executed and delivered by their duly authorized representatives as of the date first above written.

RADNOR ASSOCIATES, LTD.
Lessor

JP RAIL, INC. D/B/A
SOUTHERN RAILROAD COMPANY
OF NEW JERSEY
Lessee

By: _____
Vice President

By: _____
President

COUNTERPART NO. _____ OF 4 SERIALY NUMBERED MANUALLY EXECUTED COUNTERPARTS. TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

COMMONWEALTH OF PENNSYLVANIA)
) SS
COUNTY OF _____)

On _____, 1993 before me, the undersigned authority, personally appeared JOSEPH F. PETACCIO, JR., known to me (or satisfactorily proven) to be the President of JP RAIL, INC. d/b/a SOUTHERN RAILROAD COMPANY OF NEW JERSEY, who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of director and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

Notary Public

COMMONWEALTH OF PENNSYLVANIA)
) SS
COUNTY OF DELAWARE)

On _____, 1993 before me, the undersigned authority, personally appeared JAMES P. HARTMAN, known to me (or satisfactorily proven) to be the Vice President of RADNOR ASSOCIATES, LTD., who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of director and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

Notary Public

JP RAIL, INC.
EXHIBIT ONE
RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NO. 1

(Stated as a Percentage of Capitalized Cost)

<u>DATE</u>	<u>RENTAL PAYMENT</u>	<u>CASUALTY VALUE</u> (a)
Sep-93	1	100.0000%
Oct-93	2	99.7073%
Nov-93	3	99.4098%
Dec-93	4	99.1074%
Jan-94	5	98.8000%
Feb-94	6	98.4875%
Mar-94	7	98.1699%
Apr-94	8	97.8470%
May-94	9	97.5188%
Jun-94	10	97.1851%
Jul-94	11	96.8460%
Aug-94	12	96.5012%
Sep-94	13	96.1508%
Oct-94	14	95.7946%
Nov-94	15	95.4324%
Dec-94	16	95.0643%
Jan-95	17	94.6902%
Feb-95	18	94.3098%
Mar-95	19	93.9232%
Apr-95	20	93.5301%
May-95	21	93.1306%
Jun-95	22	92.7245%
Jul-95	23	92.3117%
Aug-95	24	91.8920%
Sep-95	25	91.4655%
Oct-95	26	91.0318%
Nov-95	27	90.5911%
Dec-95	28	90.1430%
Jan-96	29	89.6876%
Feb-96	30	89.2246%
Mar-96	31	88.7540%
Apr-96	32	88.2756%
May-96	33	87.7893%
Jun-96	34	87.2949%
Jul-96	35	86.7924%
Aug-96	36	86.2816%
Sep-96	37	85.7624%
Oct-96	38	85.2346%
Nov-96	39	84.6981%
Dec-96	40	84.1527%
Jan-97	41	83.5983%
Feb-97	42	83.0348%
Mar-97	43	82.4619%
Apr-97	44	81.8796%
May-97	45	81.2877%
Jun-97	46	80.6860%
Jul-97	47	80.0743%
Aug-97	48	79.4526%

(a) Casualty amount due in addition to Rent

JP RAIL, INC.
EXHIBIT ONE
RENTAL SCHEDULE AND ACCEPTANCE CERTIFICATE NO. 1

(Stated as a Percentage of Capitalized Cost)

<u>DATE</u>	<u>RENTAL PAYMENT</u>	<u>CASUALTY VALUE</u> (a)
Sep-97	49	78.8206%
Oct-97	50	78.1781%
Nov-97	51	77.5251%
Dec-97	52	76.8612%
Jan-98	53	76.1864%
Feb-98	54	75.5004%
Mar-98	55	74.8032%
Apr-98	56	74.0944%
May-98	57	73.3738%
Jun-98	58	72.6414%
Jul-98	59	71.8969%
Aug-98	60	71.1401%
Sep-98	61	70.3708%
Oct-98	62	69.5888%
Nov-98	63	68.7939%
Dec-98	64	67.9859%
Jan-99	65	67.1645%
Feb-99	66	66.3295%
Mar-99	67	65.4808%
Apr-99	68	64.6180%
May-99	69	63.7410%
Jun-99	70	62.8495%
Jul-99	71	61.9433%
Aug-99	72	61.0221%
THEREAFTER	--	60.0857%

(a) Casualty amount due in addition to Rent

ANNEX B

PREVENTIVE MAINTENANCE SCHEDULE

The following maintenance schedule comes from the Federal Railroad Administration 92-day maintenance routine:

1. Complete running gear and draft gear inspection for wear and/or defects. This will include an underside inspection from a pit.
2. Check traction motor support bearing and gear case lubrication levels -- fill as required. Check condition of traction motor brushes and commutator.
3. Check engine, compressor and governor for proper lubrication levels.
4. Open inspection covers on engine crankcase and airbox -- inspect for defects.
5. Inspect, clean and replace brushes as required on generator, auxiliary generator and load regulator.
6. Check integrity of cooling system -- correct leaks.
7. Check integrity of air system -- correct leaks.
8. Initially -- install batteries. Follow up -- clean and check battery electrolyte and charge.
9. Check operation of fuel pump and change fuel filters.
10. Check injectors and linkage for free movement.
11. Static test alarms and miscellaneous electrical and air systems -- lights, heaters, bell, horn, sanders, etc.
12. Start locomotive (prelubrication if long term storage) follow standard starting procedures.
13. Check reverser, control relay, contactor and air brake operation.
14. Change air intake and Michiana lubrication oil filter elements. (Replace outer air filters at least annually and clean inner air filters every 92 days. Replace lubrication oil filter elements at least annually or more frequently as dictated by oil sample analysis.)
15. Clean engine room and follow standard Southern Railroad Company of New Jersey 92 inspection forms regarding any other miscellaneous inspections.
16. Pull lubrication oil sample for analysis.

The following repairs will be initiated, as required, upon receipt of the Units:

1. Immediately repair any unsafe or dangerous glass or metal.
2. Stabilize any rust areas.
3. Clean all areas (interior and exterior).
4. Remove winterization hatches.
5. Minor painting to remove any Bessemer markings -- mark Southern Railroad Company of New Jersey.
6. Repair any rust areas or dented areas.